



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

June 3, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

SACRAMENTO UPDATE

This memorandum contains a pursuit of County position on a State Budget item related to incentive payments established under Community Corrections Performance Incentive Grants (SB 678 of 2009); a pursuit of County position on legislation to reform redevelopment law and expand redevelopment authority; and updates on eight County-advocacy measures.

Pursuit of County Position on a State Budget Item

Community Corrections Performance Incentive Grants (SB 678 of 2009). The May Revision proposes trailer bill language to amend provisions of the Community Corrections Performance Incentive Grants (SB 678 of 2009). SB 678 established a system of performance-based funding in which county probation departments may receive a share of State savings when they demonstrate success in reducing the number of adult felony probationers going to State prison for committing new crimes or violating the terms of probation. The Governor notes that as of May 2011, an estimated 6,200 felony probationers were successfully kept out of State prison, because of this program.

The Governor's May Revision proposal would change the formula for calculating a county's baseline failure rate from a straight average of calendar years 2006 to 2008, to a weighted average for the same time period, giving additional weight to more recent years. The Assembly and Senate Budget Subcommittees approved the Governor's proposed trailer bill language.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

The Probation Department estimates the revised funding methodology would reduce incentive payments to the County. **Under the new methodology, the County would receive approximately \$28.6 million in FY 2011-12 and \$7.1 million in FY 2012-13 for Performance Incentive Grants for a total of \$35.7 million total earned in the 2010 performance year. However, under the current funding methodology, incentive payments to the County for calendar year 2010 could increase by up to \$15.0 million, from approximately \$35.0 million to \$50.0 million.** The Probation Department indicates that SB 678 payments for subsequent years could also be increased by a similar percentage.

The Probation Department and this office oppose the Governor's proposed trailer bill language to change the method of calculating the incentive payments to counties established under Community Corrections Performance Incentive Grants (SB 678 of 2009). **Therefore, consistent with existing Board policy to support funding for adult probation programs to reduce recidivism in the local and State criminal justice system, the Sacramento advocates will seek restoration of the original formula for calculating a county's baseline failure rate.**

Pursuit of County Position on Legislation

AB 1250 (Alejo), which as amended on June 3, 2011, would make a number of changes to certain aspects of Community Redevelopment Law (CRL), including provisions to revise property tax increment revenue allocations, expand redevelopment uses and impose new requirements on implementation plans. The bill contains an urgency clause making it effective immediately if passed by the Legislature and signed by the Governor.

Specifically, AB 1250 would: 1) exclude schools from property tax increment calculations for new redevelopment project areas or for territory added to an existing project area adopted after January 1, 2012; 2) limit the total amount of land that could be included in a new or expanded redevelopment project area; 3) prohibit uses of property tax increment revenue for a parcel of land of 20 acres or more that has not previously been developed, with an exception for military base conversions; and for a golf course, racetrack, speedway or other racing venue; 4) expand redevelopment authority to include direct assistance for industrial and manufacturing uses and to increase energy efficiency and facilitate infill development; 5) heighten blight evidentiary requirements; 6) provide a mechanism for establishment of standard tax increment pass-through methodology; 7) cap interest rates on money borrowed from the local legislative body; 8) develop standards to evaluate Redevelopment Agency (RDA) performance in specific areas; and 9) require community input and additional information on implementation plans, as specified.

AB 1250 also would allow RDAs to provide direct assistance to: 1) residents and businesses for increasing energy efficiency or to facilitate infill development of areas in an approved sustainable communities strategy; and 2) businesses for industrial or manufacturing uses, where the assistance is reasonably expected to result in job retention or expansion. Direct assistance would include loans, loan guarantees, or the provision of machinery and equipment in new or existing facilities for industrial or manufacturing uses. The bill states that the Legislature finds and declares that the purpose of the provisions for direct assistance for industrial or manufacturing uses is to clarify existing law and to provide RDAs with additional authority to assist businesses for the purpose of retaining jobs and expanding employment. The bill also provides that these activities and programs would constitute redevelopment.

Community Redevelopment Law authorizes a city or county to create RDAs for the purpose of curing blight. Physical and economic blight is defined in the Community Redevelopment Reform Act of 1993 (AB 1290 - Chapter 942, Statutes of 1993), which sought to curb redevelopment abuse by tightening the showing of blight needed to invoke redevelopment powers. The Act also placed specified limitations and requirements on projects and mandated pass-through of a statutorily established share of diverted property tax increment to affected localities.

The Community Development Commission (CDC) believes that certain aspects of the bill would clarify that property tax increment revenue is not to be used for non-redevelopment purposes; restrict specific redevelopment activities, such as direct assistance for a golf course or racetrack; and strengthen blight findings to prevent redevelopment abuse. According to CDC, the bill would not be expected to have a significant impact on its existing redevelopment program or operations.

The Chief Executive Office (CEO) Operations Cluster and County Counsel indicate that the expansion of the purpose of redevelopment to include direct assistance to businesses for machinery, equipment and increasing energy efficiency in order to enhance employment opportunities is inconsistent with the purpose of CRL, which is to address existing blight. AB 1250 fails to offer a link between an existing business adding jobs and the elimination of blight, or if those jobs would go to local residents. Further, any non-traditional use of tax increment by RDAs could lower the amount of property taxes that will revert to the taxing agencies at the conclusion of the project. The use of diverted property tax increment revenue for activities other than curing blight that does not increase property values will negatively impact the County and other local taxing entities.

Additionally, this office and County Counsel believe that comprehensive reform of redevelopment in California should address one of the most often cited issues

expressed by critics of redevelopment which is that redevelopment projects never end. The original intent of redevelopment was to have been a temporary diversion of tax increment from the local taxing entities to eliminate blight in urban areas. The promise of redevelopment is fulfilled, and RDAs pay for themselves, only when redevelopment projects end and formerly blighted areas are returned to the property tax roles. The property tax increment revenue at that point would revert to the local agencies so that these entities may pay for the provision of core municipal services in those areas. Should some small pockets of blight remain after more than 50-years of RDA efforts, then those areas could be placed into new redevelopment project areas under current law, and with the approval of local taxing entities.

County Counsel and this office oppose AB 1250 unless amended to: 1) delete the bill language that would expand the purpose of redevelopment; and 2) require redevelopment projects to end at their specified end dates and not to allow RDAs to extend the life of projects without regard to blight. Therefore, consistent with existing Board policy to: 1) support legislation which continues or extends the redevelopment law reforms accomplished in AB 1290 (Chapter 942, Statutes of 1993), and oppose any redevelopment legislation which would cause the County to lose revenues or which would limit or repeal provisions of AB 1290; and 2) support measures to close loopholes that allow RDAs to extend the life of projects beyond the statutory time frames established in AB 1290, **the Sacramento advocates will oppose AB 1250, unless amended as indicated above.**

AB 1250 is similarly patterned after proposed reforms to CRL included in **County-opposed unless amended SB 286 (Wright)**, which as amended on April 27, 2011, would expand redevelopment authority to include direct assistance to residents and businesses for equipment and reducing greenhouse gas emissions. Additionally, in the past, the County opposed AB 2531 (Fuentes) of 2010, which would have expanded the term of redevelopment to include direct assistance to businesses for industrial and manufacturing uses and other activities; AB 2043 (Torrico) of 2010, which would have redefined the term redevelopment to include mortgage principal reduction loan assistance; and AB 2759 (Nestande) of 2010, which would have redefined the term redevelopment to include emergency shelters and transitional housing.

AB 1250 is supported by the League of California Cities. Opposition to AB 1250 is unknown at this time. This measure is currently in the Assembly Rules Committee.

Status of County-Advocacy Legislation

County-opposed AB 1050 (Ma), which as amended May 27, 2011, would require the State Board of Equalization to convene a working group to develop recommendations

for an equitable and uniform method of collecting State and locally-authorized communications taxes, fees and surcharges from prepaid communications end-use consumers, passed the Assembly Floor by a vote of 58 to 0 on June 2, 2011. This measure now proceeds to the Senate.

County-supported AB 1090 (Blumenfield), which as amended May 31, 2011, would reinstate the Senior Citizen's Property Tax Postponement Program, passed the Assembly Floor by a vote of 65 to 1 on June 2, 2011. This measure now proceeds to the Senate.

County-supported SB 397 (Yee), which as amended May 31, 2011, would authorize counties to develop and use an electronic voter registration system that will be operable until a statewide system is implemented, passed the Senate Floor by a vote of 25 to 14 on June 2, 2011. This measure now proceeds to the Assembly.

County-supported SB 450 (Lowenthal), which as amended April 11, 2011, would impose restrictions and requirements on the use of Low- and Moderate-Income Housing funds by Redevelopment Agencies, passed the Senate Special Consent Calendar on by a vote of 39 to 0 on June 2, 2011. This measure now proceeds to the Assembly.

County-supported SB 568 (Lowenthal), which as amended May 23, 2011, would prohibit a food vendor from dispensing prepared food to a customer in a polystyrene foam food container, passed the Senate Floor by a vote of 21 to 15 on June 2, 2011. This measure now proceeds to the Assembly.

County-supported SB 575 (DeSaulnier), which as amended May 31, 2011, would prohibit the smoking of tobacco products in an enclosed space at a place of employment, passed the Senate Floor by a vote of 25 to 14 on June 2, 2011. This measure now proceeds to the Assembly.

County-supported SB 586 (Pavley), which as amended on May 27, 2011, would regulate the issuance of signature stamps by state-chartered banks and credit unions, increase fines for offenses committed against an elder or dependent adult, and define how revenues from fines for certain crimes against elder and dependent adults shall be dedicated to county Adult Protective Services (APS) programs. The amendments further define how fines above a specified amount may be considered as the revenue source for APS. The previous language designated 50 percent of the fines levied against an offense committed against an elder and the amended language sets a

Each Supervisor
June 3, 2011
Page 6

specific amount. This measure passed the Senate Floor by a vote of 24 to 14 on June 1, 2011. This measure now proceeds to the Assembly.

We will continue to keep you advised.

WTF:RA
MR:VE:LY:er

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants